ISER Working Paper Series

Enduring Inequality: Labour market outcomes of the immigrant second generation in Germany

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No. 2010-30
7 September 2010

INSTITUTE FOR SOCIAL
& ECONOMIC RESEARCH

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Non-Technical Summary

This paper provides new information on the integration of the children of immigrants, the immigrant "second generation", in Germany. Exploiting the 2005 Mikrozensus, the first dataset to allow the full disaggregation of different immigrant origin groups in Germany, this paper particularly focuses on the effect of the context of reception – the legal, social and economic circumstances of migration - on second generation outcomes. By comparing the children of guest workers to the children of ethnic German immigrants, I capture greater variation in the context of reception than most current research. In addition, I also examine the associations between German citizenship and intermarriage and the labor force participation, employment, and occupational status of the children of immigrants in Germany. Most second generation men have much higher unemployment, and lower occupational status scores, than native Germans, even after controlling for human capital. Disadvantage is less pronounced among second generation women. Although second generation women benefit from a positive context of reception, German citizenship, and intermarriage, second generation men do not. These findings suggest important variation across and within immigrant origin groups, as well as gender differences, in second generation labor market integration.

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Abstract: Exploiting the 2005 Mikrozensus, the first dataset to allow the full disaggregation of different immigrant origin groups in Germany, this paper examines the effect of context of reception, citizenship, and intermarriage on the labor force participation, employment, and occupational status of the children of immigrants in Germany. Most second generation men have much higher unemployment than native Germans, even after controlling for human capital. Disadvantage is less pronounced among second generation women, and among the employed. There is considerable heterogeneity across immigrant origins, but citizenship and intermarriage have only modest impacts.

Keywords: integration, immigration, ethnicity, Germany, education, assimilation

JEL Code: J64, J71

Direct correspondence to Renee Reichl Luthra, rrluthra@essex.ac.uk. Thanks to Roger Waldinger, Rob Mare, Amada Armenta, Arpi Miller, Vikki Katz and Lucinda Platt for comments on earlier drafts, as well as the Forschungsdatenzentrum der Länder im Amt für Statistik Berlin-Brandenburg for providing access to the data. The study resulting in this paper was assisted by a grant from the Berlin Program for Advanced German and European Studies with funds provided by the Freie Universität Berlin, while a guest at the German Institute for Economic Research (DIW Berlin). However, the conclusions, opinions, and other statements in this publication are the author's and not necessarily those of the sponsoring institutions.

I. Introduction

The past six decades following the end of WWII have been marked by massive labor and refugee migration, resulting in unprecedented numbers of foreign born residents across Western Europe. Whether intended or not, many of these immigrants have settled permanently, forming families in their new homes, and their children are now coming of age. In many countries, the children of immigrants have become a substantial proportion of the native born labor force. A central question in the fields of migration, ethnicity, and social stratification is therefore whether the children of immigrants – the "second generation" – will integrate successfully into the receiving country labor market, experiencing similar labor force participation, employment, and occupational status as the children of natives.

This paper engages with this important question by examining the labor market outcomes of the children of immigrants in Germany. As the largest economy in the European Union and home to the largest number of foreign born residents, Germany is exemplary of the immigrant destination countries in Western Europe. As of 2007, 30% of the former West German population under the age of 25 reports a "migration background" – that is, at least one parent who is foreign born or has a foreign nationality (Educational Report 2008: Tab. A1-4A). Comprising former guest workers, repatriated ethnic Germans, and refugees, these immigrants stem from varied socioeconomic origins and confronted diverse legal and societal contexts of reception. In addition to its demographic importance, the German case is also emblematic of the institutional challenges facing immigrants and their children in Europe. Characterized by a "rigid" labor market, with strict employment legislation, strong unionization, and tight school to work characteristics (Diprete and McManus 1996; Esping Anderson 1999; Blossfeld and Schavit 1998), the German case provides a useful test for theories of integration largely developed from second generation experiences in the "flexible" labor market of the United States.

Drawing on a new data source, the 2005 German Mikrozensus, this paper makes several contributions to current understanding of the labor market integration of the second generation in Germany. As the 2005 Mikrozensus is the first large scale data set that allows the identification of naturalized immigrants and their descendents, my paper provides one of the first truly representative descriptions of second generation employment and occupational status. This capability is theoretically critical, for it allows the comparison of the children of Germany's two major origin groups: the very positively received, permanent, more highly educated repatriated ethnic Germans and the negatively received, temporarily recruited, labor migrant guest workers. It also allows the comparison of the children of immigrants who have obtained German citizenship to the children of immigrants who remain outside of the German polity, an important minority/majority boundary in Germany given the historical lack of birthright citizenship (Alba 2005). This paper therefore makes the substantive contribution of applying the concepts of *context of reception* as well as *boundary crossing*, two critical elements of new assimilation theories developed in the US, to the case of second generation labor market performance in Germany.

Second, this paper follows Diprete and McManus (1997), Esping-Anderson (1999), and Crul and Vermuelen (2003) by emphasizing Germany's institutional structure to understand variation in second generation performance across different labor market outcomes. Unlike the United States, in Germany second generation inequality in employment is more pronounced than earnings or benefits inequality among the employed. In this paper, I emphasize Germany's combination of high unionization rates and employment regulations that equalize outcomes among the employed with the low turn-over rates and resulting restricted access to employment – and use these factors to understand the variation in ethnic inequality I find across labor market dimensions.

My results confirm previous findings that the children of some guest worker groups experience disadvantage in the German labor market. However, I also find that this disadvantage, though less severe, is shared even by the children of the more positively received ethnic German migrants. Moreover, separating the analyses by gender reveals greater second generation disadvantage among men than women. Comparing citizens to non-citizens, as well as second generation men and women who have intermarried with native Germans to those of other partnership status, I find little net impact of these boundary crossing behaviors on labor market outcomes after controlling for education and other demographic characteristics.

Recent concepts of context and reception and boundary crossing, as measured here, therefore only partially explain the variation in second generation labor market outcomes I observe. I argue that it is just as important to consider Germany's unique institutional framework, where barriers to employment are high yet inequality between workers is compressed. This helps explain variation in second generation disadvantage across different labor market outcomes: network driven referral and recruitment practices create disadvantage in employment, whereas the more transparent, formalized job placement and promotion practices reduce inequality among the employed. This finding is consistent for nearly all immigrant origin groups, and for both men and women.

The rest of the paper is structured as follows. After providing a brief background of German migration in section (II), in section (III) I follow with an overview of current explanations of variation in second generation outcomes, expanding these to include hypotheses regarding labor market dimensions. Section (IV) outlines the data and variables used in the paper, and sections (V) and (VI) review the methods, results and conclusions.

II. Background

The second generation in Germany today is largely comprised of the children of three major post-WWII migration streams: guest worker migrants from Southern Europe, ethnic Germans from Eastern Europe, and refugees from across the world. The second generation comprises 5.2% of the German population, and approximately 90% is under the age of 40 (Mikrozensus Report 2008). As this paper examines labor market outcomes, I focus only on those second generation members who migrated before the age of 5 and were 27 years or older in 2005, thus, this discussion is limited to the migration history of migrants who arrived prior to 1983. Some of the key characteristics of this group are summarized in table 1.

Table 1. Characteristics of Second Generation Origin Groups in Germany

	Major National Origins	Context of Reception
Guest Worker Labor Migrants	Turkey, Italy, Greece, former-Yugoslavia, Spain, Portugal	originally one year work contracts temporary contracts, eventually permanent residents and sponsored family members. Recruited for low wage and low skilled manual and blue collar work. Low naturalization rates due to historically restrictive naturalization laws and originally temporary intentions
Ethnic German	former Soviet Union, Poland, Romania	to be recognized, need to prove German ancestry, discrimination. For parents of my sample, there was no official language requirement (this was instituted in 1997) but German language ability was generally high. Immediate rights to citizenship and integrative assistance- including assistance in transferring foreign credentials- upon recognition. Still experienced some downward mobility and higher unemployment
Refugee Migrants	Very diverse group, with larger percentages from Southeast Asia, Middle East, Africa, and Eastern Europe	Asylum laws very generous when the parents of my sample migrated, prior to restrictions instituted in 1993. Those waiting for recognition are "tolerated", given institutional housing and reduced state support, and after one year, allowed to work. Those who are recognized receive a three year residency permit, after which they may apply for a permanent residency permit. Higher rates of naturalization.

The first generation

The most studied immigrants in Germany are "foreign" (un-naturalized) former "guest workers." To aid in post-WWII reconstruction, Germany recruited over one million unskilled workers primarily from Italy, Spain, Greece, Turkey and the former Yugoslavia from 1955 until 1973 for one year contracts. The provisional nature of the program discouraged investment in learning the German language or networking with Germans (Dustmann 1999; Diehl and Schnell 2006), and recruitment into the worst jobs marginalized guest workers in the labor market, blocking their mobility (Constant and Massey 2003; Bender and Seifert 1998; Fertig and Schmidt 2001) and placing them in occupations most susceptible to unemployment (Kogan 2004; 2007). Through restrictive naturalization laws and the introduction of return incentive schemes, the German government attempted to encourage migrants to return home throughout the 1970s and 1980s. Despite these efforts, most guest workers stayed and through their right to family reunification (Joppke 1999) were later joined by their families.

Though former guest worker foreigners receive the bulk of research attention, naturalized Germans currently represent nearly half of the foreign born population in Germany (Statistisches Bundesamt 2007). While they are difficult to identify in governmental data, ethnic Germans, or foreign born immigrants of German descent, comprise a large share of this group. Ethnic Germans are people of German ancestry who resided in Eastern Europe. As linguistic and cultural minorities many of them faced considerable discrimination, most importantly massive expulsion from the former Eastern German territories and the *Sudentenland* following WWII. Partially in response to this mass expulsion, German citizenship and integrative assistance, including language assistance, recognition of foreign credentials, and housing support, are a legal guarantee for ethnic Germans, following the Basic Law of 1949.

Despite these more favorable conditions of migration, ethnic Germans receive lower returns on their education in the labor market (Konietzka and Kreyenfeld 2001). Ethnic Germans from the Soviet Union and the highly skilled, in particular, face downward mobility in Germany (Kogan 2007; Dietz 2000; Greif et al. 1999). It is likely that the disruption of migration in both the career and social fields of ethnic Germans may have outweighed their positive context of reception.

Together, former guest workers and ethnic Germans comprise the majority of the foreign born in Germany, with Turks representing the single largest national origin group. In this paper, I collapse remaining immigrants into EU and non-EU (third country) origins. EU migrants, counted here as immigrants from the (non-guest worker sending) EU countries before the 2004 enlargement, enjoy the legal right to live and work in Germany, with a high level of social acceptance. This group is generally more highly skilled and also likely to intermarry with native Germans (Schroedter and Kalter 2008). Third country nationals, in contrast, typically entered Germany as asylum seekers. Third country nationals therefore were not selected as economic migrants, nor do they share the political advantages of ethnic Germans or EU nationals. These groups display the bifurcated skill and labor market distributions characteristic of refugee streams. As these groups form a smaller minority of second generation origins in my sample and their context of reception is difficult to generalize, I generally do not discuss their results in the following sections but include them in all tables.

The second generation

Research on the labor market outcomes of the second generation is still in its beginning stages. Current research has been inhibited through several factors: the young age of the second generation, a prior lack of governmental data on naturalized immigrants and their children, and the sample size of non-governmental data sources that prohibited the

identification of smaller origin groups[1]. As a result, the majority of research on the second generation in Germany has focused on schooling outcomes and examined the children of guest workers only.

On average, second generation youth are much more likely to leave school with the lowest educational credentials than children of native born Germans (Diefenbach 2007; Kristen and Granato 2007; Education Report 2006) and are less likely to secure vocational training opportunities (Ulrich and Granato 2006). Yet the majority of this disadvantage is explained by socioeconomic background, rather than ethnic inequality – after controlling for parental characteristics, disadvantage in schooling outcomes disappears for nearly all second generation groups (Kristen and Granato 2007), in some cases the second generation actually is *advantaged* relative to natives of the same socioeconomic background (Luthra 2008).

Less is known about the labor market outcomes of the second generation, yet there are many reasons to expect a stronger ethnic penalty in a network-driven (Kalter 2007), largely unmonitored labor market setting than in a heavily regulated, institutionalized educational setting. Initial work on guest worker origin labor market performance reveals that, collectively, the children of immigrants have higher rates of unemployment compared to native Germans (Kogan 2004; Kalter and Granato 2007; Liebig 2007; Burkert and Siebert 2007). When all guest worker origin groups are combined, disadvantage in employment and occupational attainment can sometimes be accounted for by educational and vocational training (Kogan 2004; Liebig 2007:46). However, when the children of guest workers are separated by national origins, some guest worker groups continue to have higher unemployment after the application of educational controls, in particular Turkish origin

[1] Prior to 2005, governmental statistics did not contain respondent's country of birth. The result is that only native born foreign nationals could be examined. Alternative datasets, such as the German Socio-economic Panel Study (GSOEP), generally only allow the disaggregation of former guest workers.

workers (Schurer 2008; Kalter and Granato 2007; Burkert and Seibert 2007; Haas and Damelang 2007).[2]

Also as expected, guest worker origins are negatively associated with occupational status. Before the application of background controls, the children of guest workers nearly uniformly have lower representation in tenured jobs (Euwals et al 2007), lower representation in the salaried class (Kalter and Granto 2007), and less prestigious jobs (Euwals et al 2007). Yet unlike employment, this disadvantage can mostly be attributed to observed characteristics such as schooling and age. After these, nearly all groups no longer differ from natives (Kalter and Granato 2007; also controlling for social networks, see Kalter 2007).

These results suggest a stronger ethnic penalty in employment than in schooling or outcomes among the employed, but remain far from definitive. The first question is whether these findings are particular to guest worker origin groups, or if they extend to the positively received ethnic Germans as well. Second, the majority of previous work has omitted naturalized immigrants and their children. This omission may be biasing the results even in analyses that are restricted to the children of guest workers only. Finally, much of the previous work has utilized older data sources (for instance, Kalter and Granato rely on the 1996 Mikrozensus). Given the young age of the second generation, these older studies may have omitted the majority of the group who is just now entering the labor market.

In the sections to follow, I utilize the 2005 German Mikrozensus to remedy these empirical shortcomings, allowing me to test hypotheses of heterogeneity in second generation labor market performance, both across origin groups as well as across labor market outcomes.

[2] Occasionally other groups experience a similar ethnic penalty. For instance, Kalter and Granato (2007) show lower returns to education among Greeks, and Haas and Damelang (2007) find more difficult school to work transitions for other non-EU migrants.

III. Explaining Second Generation Labor Market Outcomes

This paper explores two kinds of variation in second generation labor market outcomes: variation across immigrant origin groups and variation across labor market outcomes. To explain variation by origin, I follow many European migration scholars (Wimmer 2008; Alba 2005; 2008; Diehl and Schnell 2006; Diehl and Blohm 2008; Kalter 2007) and draw on US-centered assimilation theories as well as more general work on ethnic boundaries, applying these to the German case. From segmented assimilation theory (Portes and Zhou 1993; Portes and Rumbaut 2001), I draw on the concept of the context of reception to formulate hypotheses regarding differences in performance between different immigrant origin groups. From recent work on the influence of legal and social boundaries (Diehl and Blohm 2008; Alba 2005) I develop hypotheses regarding the association between intermarriage and naturalization and second generation attainment. Finally, following the institutional framework utilized by cross-national scholars (Diprete and McManus 1997; Esping-Anderson 1999), I discuss characteristics of Germany's labor market to explain variation in second generation dimension across different labor market dimensions.

Context of Reception

The context of reception is defined by Portes and Rumbaut (2001) as the combination of three factors: governmental reception, societal reception, and the characteristics of the co-ethnic community. The importance of the context of reception on second generation outcomes has been repeatedly confirmed in the US case (Portes and Rumbaut 2001; Portes et al. 2008; Rumbaut 2008; Hirschman 2001; Kasinitz et al. 2008). Applied to the German case, former guest workers and Ethnic Germans present opposite ends of the spectrum in terms of their governmental context of reception, along with variation between guest worker groups in terms of their societal reception and coethnic community.

As described above, guest workers were explicitly recruited as temporary labor, discouraged from settling and obtaining citizenship, and actively encouraged to return to their home countries[3]. This governmental context of reception had a strong negative impact: as temporary labor migrants, former guest workers had little incentive to invest in German language skills (Diehl and Schnell 2006), make contact (including intermarry) with native Germans (Schroedter and Kalter 2008), or acquire cultural competencies as many expected to return to their home country long after first arriving in Germany[4]. Self reports of former guest workers as well as experimental tests reveal that foreigners of all backgrounds, but in particular those of Turkish backgrounds, experience discrimination in access to jobs and housing (Goldberg et al 1996; Faist 1993; Nauck 2001) as well as in daily life interactions such as visiting a bar or making friends at a university (Klink and Wagner 1999). Indeed, within guest worker origin groups, there is also increasing evidence of a "Turkish/non-Turkish" divide, both in the popular media as well as in academic studies. Reports from the 1996 ALLBUS show that more Germans would feel uncomfortable with a Turk as a neighbor or potential family member than other guest worker groups (Friedrichs 2008) and essentially all studies on geographic segregation find that Turks are more highly segregated from Germans than other groups (Friedrichs 2008:389).

In contrast, ethnic Germans enjoy a very positive governmental context of reception. As they share ethnic origins with native Germans, they are also less visibly distinctive, and more likely to be familiar with German cultural practices. Though there is some evidence of

[3] After the end of the recruitment, the German government attempted to discourage immigrant settlement by restricting working permits for family members and prohibiting continued immigration into regions with guest worker concentrations over 12% (Eryilmaz and Jamin 1998: 397). In 1984, the German government also offered a lump sum to defray travel costs for guest workers to return home.

[4] For the impact of temporary intent depressing language acquisition for the first generation, see Dustmann 1999; as an extreme example of its impact on the second generation, see Rist (1979), who describes the separate curriculum created for the children of migrants in Bavaria, complete with teachers recruited from their home countries to prepare them for their return home

discrimination against ethnic Germans, particularly among newer arrivals who are more likely to have mixed parentage (Groenendijk 1997; Dietz 2000; Eckert et al 1999), this was less likely to be the case among the parents of the young adult second generation ethnic Germans under consideration here, whose parents arrived in lower numbers prior to the fall of the Berlin Wall. The boundaries between ethnic Germans and natives, whether conceptualized as race, citizenship, or religion, are much more "blurred" than those between the former guest workers and natives (Alba 2005).

Taken together, the government and social context of reception indicators suggest a clear hierarchy among the foreign born in Germany, with ethnic Germans having a more positive governmental and social reception, and a more highly educated and less impoverished profile than guest worker origin groups. They are followed by the non-Turkish guest workers, who have a negative government reception, along with disadvantaged aggregate socioeconomic characteristics – but report higher levels of acceptance than Turks. Turkish origin immigrants display an extreme form of interlocking disadvantage that separates them from the other guest workers. Drawing from this summary, we should expect that the children of ethnic Germans will demonstrate the strongest labor market performance, relative to other immigrant groups, and that the Turkish origin second generation will perform the worst.

Boundary Crossing

In addition to the aggregate level context of reception, variation in ethnic difference by origin may also stem from different rates of individual boundary crossing processes within the groups. Though I expect a positive association between intermarriage and German citizenship and labor market outcomes, in this cross-sectional study, the direction of causality must remain unknown. Still, as argued by Alba (2005), in Germany, citizenship is a "bright"

boundary with important social consequences. Naturalization is positively associated with educational and occupational attainment, permanent settlement aims, linguistic ability, and – for Turks – with social integration as well (Diehl and Blohm 2008; see also identity and entitlement in Tucci and Groh-Samberg 2008)); all of these things are then positively associated with investment in receiving country specific human capital and labor market success (Dustmann 2000; Alba and Nee 1997). German citizenship also opens doors for public sector employment, making a large number of jobs available to the second generation if they are citizens (for instance the coveted *Beamte* tenured public service jobs, which constitute 5% of those employed in 2005).

A second indicator of boundary crossing under consideration here is intermarriage with native Germans. Like citizenship, intermarriage may bring benefits to the second generation that are not captured by traditional socioeconomic measures. For instance, intermarriage with a German spouse is likely to result in greater contact with native Germans, and a German spouse can serve as an informational resource in job search. Particularly for women, marriage with a German spouse may include freedom for more traditional gender roles and increased labor force participation.

Labor Market Dimensions

In addition to testing for heterogeneity in outcomes by context of reception, I also want to draw attention to heterogeneity in labor market inequality across labor market dimensions themselves. The fact that ethnic inequality in Europe is usually higher in terms of employment than among employed workers is frequently noted, yet less often theorized in relation to immigrant integration. Here, I apply the institutional perspective employed by Diprete and co-authors (CITE), and argue that this finding can be attributed to three aspects of Germany's labor market structure: institutional differences in employee recruitment and

advancement, different levels of government oversight at different phases of employment, and selection mechanisms into employment.

It is well documented that employee recruitment operates through social networks, creating inequality between ethnic groups (Peterson et al 2000) because advantaged groups are more likely to have contact with members of the same ethnicity (Mouw 2003; Hellerstein et al 2007). In the United States, immigrant unemployment is generally *lower* than native unemployment; thus, ethnically structured hiring processes may actually work in favor for lower educated second generation workers (Waldinger cite). It has been shown that firms in Germany with a higher percentage of minority workers similarly exhibit a higher likelihood of hiring more minority workers (Dustmann et al 2010). However, in Germany, unemployment among the foreign born is over twice that of native workers. At the same time, immigrant entrepreneurship in Germany is relatively low and even the employed foreign born are overrepresented in declining blue collar industries (Kogan 2004). In this case, homophily and ethnically structured job queuing works to the disadvantage, rather than the advantage, of the children of immigrants. Ethnic minority networks therefore do not compensate for a lack of social interaction between immigrants and native Germans, and ethnic ties are not found to exert a positive impact on labor market outcomes in Germany (Kalter 2007). Thus, even in the absence of discrimination, ethnic inequality in securing employment is likely, with marginalized second generation groups most likely to suffer higher unemployment.

On the other hand, once employed, the institutional mechanisms of job assignment and promotion are much less likely to allow ethnic inequality. As of 1997, nearly two thirds of all jobs in Germany were under collective bargaining coverage (Visser 2006). The resulting standardization of job allocation, promotion, and pay reduces inequality between observably similar workers once employed. Workers are protected from involuntary job movement, and the ties between specific occupations and formal training ensures that

observably similar workers should receive similar benefits and occupational status (Diprete and McManus 1996). Even in firms that are not under bargaining coverage, contact between workers in the same place of employment forces transparency in the job allocation and promotion process and reduces employers' leeway in differential treatment of employees. These institutional differences in the recruitment and job allocation process suggest low ethnic inequality in occupational status among those employed, *simultaneously* with high ethnic inequality in employment.

Variation in the level of government oversight at different stages of the employment process may also result in greater inequality in employment than in occupational status. Government oversight in the hiring phase is costly – either politically, through the promotion of affirmative action policies, or financially, through the use of experimental job search tests to ensure fair treatment of applicants. The German state has never implemented either; to the contrary, Germany's first comprehensive anti-discrimination act was not passed until 2006. The result is a general lack of government oversight in hiring processes. However, once employed, it is generally much easier to provide evidence of discrimination. The collective bargaining agreements described above secure similar returns to tenure and qualifications for workers of different origins, and German employment law protects permanent workers from unfair dismissals. The majority of jobs in Germany are characterized as stable and protected, despite recent attempts to increase flexibility in the labor market (Buchholz and Kurz 2005). Again, this suggests the possibility for greater ethnic inequality in employment than occupational status.

Finally, severely high unemployment among certain second generation groups furthermore introduces the possibility of selection bias in comparisons between employed workers of different origins. If it is true that the second generation faces *higher* barriers to employment than native Germans, than we might also expect that second generation workers

who achieve employment are a more *positively selective* group than native Germans that achieve employment. If their positive selection occurs across unobservable dimensions, for instance ambition or intelligence, that predict both employment *and* occupational status, than it is possible that estimates of occupational status of second generation workers that exclude the unemployed are upwardly biased. In other words, because the second generation has already overcome a higher hurdle to employment than native Germans, I may observe *less* inequality among the employed than would hold if access to employment were equal for all. In addition to greater institutional oversight, greater inequality in employment than in occupational status may also be attributed to the possibility of different selection processes into employment across ethnic groups.

In conclusion, I expect fewer ethnic disadvantages within the monitored, more transparent placement and promotion process leading to occupational status, than in the atomized, social network driven recruitment and hiring process reflected in employment.

V. Data, Sample, Variables

Data

The Mikrozensus is a nationally representative survey containing structural population and labor market data in which 1 percent of all households in Germany are involved in an ongoing household sample, with one quarter of the sample exiting each year. Critical to my research objective, in 2005 the Mikrozensus began to ask about naturalization, enabling the identification of ethnic Germans and the naturalized first and second generation for the first time. While the rotation sample prevents combining adjacent years together, the very large sample size and representativeness of the Mikrozensus enables finer national origin distinctions than other datasets. Each member of the household is included in the survey, enabling links between parents and children, and partners and spouses. A further strength of

this dataset is that it is a legal obligation (*Pflicht)* to complete and thus missing information is much less than in voluntary surveys.

Sample

The focus of this paper is inequality in labor market outcomes, I therefore restrict my sample to adults who have not been in school for over one year or more. I also adjust the sample to ensure comparability between the second generation groups and native Germans. As 90% of the second generation in the Mikrozensus is under the age 40, I exclude workers ages 40 and above. Similarly, I exclude those younger than 27 to reduce bias in my estimates arising from different school leaving rates among the groups under consideration here[5]. The resulting age range is restricted to only 13 years (27-39 year olds) – this further serves the dual purpose of decreases heterogeneity in parental time of migration as well as cohort and period effects when comparing different groups. For similar reasons, I also restrict my sample to respondents living in the former West Germany, as 96% of the second generation lives in the former Western states.[6] After these restrictions, the full sample includes 35,457 men and 36,446 women.

Given that this is a prime age sample, less than 3% of men who are out of school report being out of the labor market; I therefore restrict my analysis of labor force participation to women only. Moreover, mechanisms that sort workers in the labor market are different for men and women, and so I also model employment and occupational status separately for men and women.

[5] Among those 27 and older, no more than a third of any group is still in school (and no more than one fourth of Germans, former guest workers, or Aussiedler). I am therefore less likely to bias my sample by excluding larger percentages of respondents still in school.

[6] Including Eastern Germany reduces native-second generation inequality in employment, because native Eastern Germans have much higher unemployment rates than those residing in Western Germany. However, the addition of Eastern Germany in the sample does little to change the results once other regional controls (state of residence, unemployment at county level, and metropolitan status) are included in the model.

Dependent Variables

1. Labor Force Participation

Labor force participation is measured here as working or looking for work in the past three months, omitting those who are on leave or retired for longer than three months.

1. Employment

Among those participating in the labor market, "employed" is defined as having worked for pay in the last week or on maternity or paternity leave for three months or less, and "Unemployed" is all those who are not currently working but are looking (actively or passively) for work in the past three months.

2. Occupational Status

International Standard Classification Codes (ISCO88) for the main occupation of each respondent were assigned International Socioeconomic Index scores (Ganzeboom and Treiman 1996; Schimpl-Neimanns 2007). ISEI scores consist of weighted averages of standardized measures of the income and education of incumbents for each occupation. This index creates a uni-dimensional ranking of occupations intended to capture the "quality" of an occupation in terms of the livelihood it provides and the training necessary to fill it.

Independent Variables

1. Context of Reception: Origins

As outlined above, ethnic Germans have the most positive context of reception, followed by non-Turkish guest workers, with Turks having the worst context of reception. To approximate context of reception, I identify the following seven second generation origin groups: Turkish, Former-Yugoslavian, Other Guestworker Origin, ethnic Germans, Other EU/US, Third Country, and Migratory Germans.

I utilize both parents' and the respondent's information to identify origin utilizing several steps. In the first step, I assign origins by the respondent's foreign nationality, either current or prior to naturalization. Next, I categorize respondents who were born as Germans but have at least one foreign born parent. I first use their mother's current or former foreign nationality, if the mother is German born, I use the father's. Respondents who report a foreign nationality, but whose parents were both born in Germany, are omitted from the sample[7].

The classification above accounts for the children of immigrants though does not distinguish ethnic Germans from other migrants. As reviewed above, the ethnic Germans represent a very special case of positive governmental reception, and thus need to be identified. To identify this group, I rely on country of origin and time to naturalization, as nearly 100% of ethnic Germans are from Eastern Europe and only ethnic Germans can naturalize in less than 3 years[8]. I utilize the following definition: if the respondent and/or *both* parents naturalized in less than three years since their arrival in Germany, and report an Eastern European country as their former nationality, I count them as ethnic Germans. As a large percentage of ethnic Germans report that they are Germans without naturalization (Birkner 2007), I also include as ethnic Germans respondents who report both parents as born abroad but who claim German citizenship from birth.

Finally, I create a catch-all "migratory German" category for all Germans who claim citizenship from birth but who also report either self or a parent as foreign born but are

[7] Overlap in mother and father's foreign nationality is nearly perfect: no more than 6% of any origin group had parents of two different foreign nationalities; in these cases, the nationality of the mother is used. 138 cases in the resulting sample have either naturalized or foreign nationality parents who were both born in Germany; they can thus be conceptualized as third generation. As I can only identify third generation members who have not naturalized, they are not representative of the third generation as a whole, I exclude them from the analysis.

[8] The spouses of German citizens can naturalize after 3 years, and two thirds of these three years must be spent in Germany.

missing origin information and do not fulfil the requirements to be marked as ethnic Germans. It is possible that some respondents who are classified as a migratory German may have one ethnic Germans parent, but I choose this restrictive definition to exclude the children of foreign spouses of German nationals or German expatriates (i.e. Germans born abroad but not ethnic Gemrans are less likely to have migrated to Germany with a foreign born spouse). Including the migratory German category in my sample, that may contain some Ethnic Germans, provides a useful comparison to this more restrictive definition[9]. The full origin information of my sample can be found in Appendix A.

To account for the impact of compositional differences between each immigrant origin group on their labor market outcomes, I also include four sets of controls: citizenship and intermarriage status, human capital, geography, and household characteristics.

2. Citizenship and Intermarriage: I include a dummy variable "foreign national" to test and account for the association of foreign nationality and labor market performance. I also include an indicator for the second generation respondents who live with a native German spouse or partner as "German partner".

3. Human Capital: To account for the "dual system" of human capital in Germany, which includes both general educational and vocational credentials, I use an adapted form of the CASMIN educational categorization developed for the German Mikrozensus (Lechert et al 2006). I created indicators as follows, from lowest to highest: a) low education includes no secondary degree or the lowest tier educational credential (Hauptschulabschluss) only, b) low education with vocational training, the modal category, includes those with a Hauptschulabschluss who have vocational training, c) middle degrees include those who have

[9] More expansive definitions of Ethnic Germans do not change the substantive results reported here. More details on different specifications and subsequent results can be obtained from author by request.

obtained the middle secondary degree (Mittlere Reife), d) a high degree includes those with a Fachhochschulreife or Abitur, the prerequisite for tertiary education, and finally e) Tertiary Education[10]. I also include a measure of years of work experience, created by subtracting the year of the highest degree from the survey year, and I include as well a square term to capture diminishing returns to experience at higher levels.

4. Geographic Controls: I include dummy variables to control for *Bundesland* of residence and metropolitan status (metropolitan, suburban, and non-metropolitan status). I also include gender-specific unemployment rates at the county level (*Kreis)* in all analyses.

5. Household Controls: As family formation patterns are strongly linked with labor market participation, especially for women, I include several controls for family structure. Partnership is accounted for by a categorical variable: a) single, b) lives with spouse, c) lives with partner[11]. I also control for the number of children in the household. Finally, I control for whether the respondent still lives with a parent.

[10] This categorization captures the most important variation in human capital in the German system. Those with no secondary degree face tremendous difficulties in the labor market, comparable to high school drop outs in the United States. The lowest secondary certification, Hauptschule, is insufficient for entrance into tertiary or skilled traineeship programs and generally needs to be paired with an apprenticeship to access most jobs. Similarly, a mittlere Reife needs to be combined with apprenticeship for most jobs; however, the number of workers with a mittlere Reife but no vocational training was too small to separate in my sample. In contrast, the higher secondary degrees of a Fachhochschulreife or Abitur serve as a labor market signal independently. Though two thirds of those with an Abitur or Fachhochschulreife also have vocational training, due to the small numbers of some of ethnic groups with higher schooling, I collapse those with and without vocational training to maximize cell size. Finally, I include an indicator for a tertiary level degree from a Fachhochschule or a University.

[11] I also separated partnership by whether the spouse/partner worked or not. The coefficients for having a working versus nonworking spouse or partner were frequently different in both size and direction; however, including these additional controls had no effect on the ethnic differences that are at the center of this paper, and as many origin groups had no or very few respondents with nonworking partners and spouses, I decided not to separate them in the analyses.

Descriptive Statistics

Weighted descriptive statistics by immigrant origin and gender are reported in table 2. Full descriptive statistics for all independent variables, for those out of the labor force (for women), the unemployed, and those who are employed, are included in Appendix A.

Table 2. Descriptive Statistics, Men and Women ages 27-39, West Germany 2005

	Men				Women				
	Employment Status				Employment Status				
	% Emp	% Unemp	Mean SEI	N	% Emp	% OLF	% Unemp	Mean SEI	N
German	0.91	0.09	46.55	33067	0.74	0.19	0.06	46.53	34371
Turkish	0.74	0.26	38.42	729	0.49	0.33	0.18	39.04	678
Former Yugoslavian	0.77	0.23	41.91	244	0.66	0.2	0.13	43.9	233
Other Guest Worker	0.87	0.13	41.13	456	0.63	0.23	0.14	45.08	382
EU/US	0.91	0.09	46.8	223	0.73	0.2	0.07	47.93	195
3rd Country	0.84	0.16	50	205	0.69	0.2	0.11	46.52	186
Aussiedler	0.84	0.16	45.89	195	0.73	0.19	0.08	49.61	188
Migratory German	0.81	0.19	46.31	338	0.82	0.12	0.06	48.45	213

Table 2 provides initial support for the hypothesis that ethnic differences will be greatest in employment[12]. Among men, we see drastic differences in unemployment by ethnic origin: where one in four Turkish origin men are unemployed, only one in ten native German men, and only one in eight ethnic German men, do not have employment. Ethnic inequality in unemployment is very high, and roughly follows the expected hierarchy from the contexts of reception. The match between context of reception and employment is not exact, however, as the children of ethnic Germans, despite their advantaged context of reception, have higher unemployment than the residual guest worker category.

[12] All reported differences were tested using t-tests and found significantly different at the .05 level unless otherwise noted.

When we observe the occupational status scores, the differences are no longer so pronounced. The distance between the highest and lowest mean status scores is 12 points on the occupational scale, roughly the difference between a hairdresser and a mechanic. This difference is smaller than we might expect given the very large employment differences, as well as the fact that the guest worker origin groups have much lower educational attainment than the other groups (see Appendix A). The ranking of the groups in terms of occupational status still follows the order expected from their contexts of reception – even more closely than employment – with all guest worker groups having relatively low occupational attainment, and ethnic German reporting higher scores on par with native Germans (statistically identical at .05).

Turning to the women, we again see that unemployment differences are larger than differences in occupational status and in labor force status. As would be expected due to their negative context of reception, guest worker women have over twice the percentage unemployed than native German women. Ethnic German women have lower unemployment than guest worker women, but still differ significantly from native German women with an unemployment rate at 8%.

Yet even before controlling for the large differences in educational attainment and family formation patterns (see Appendix A), labor force participation rates between the ethnic groups are close to identical, hovering around 80% for most groups. The one exception is the lower labor force participation rates of Turkish origin women, of whom only 2 in 3 participate in the labor market. Similarly, the occupational status scores of women are very similar with the exception of the significantly lower scores (relative to all other groups) of Turkish and Yugoslavian origin women. Notably, ethnic German women have significantly *higher* scores than native German women.

Descriptive statistics thus suggest that inequality in unemployment is indeed much greater than inequality in other labor market dimensions. It also suggests that second generation women less disadvantages relative to the native born than second generation men. To more fully explore these relationships, I now turn to multivariate results.

V. Methods and Results

1. Methods

Probit Models: Labor force participation and employment are both dichotomous variables, therefore I use the probit regression model using standard maximum likelihood estimation. I present all results as both probit coefficients and predicted probabilities computed with all control variables at the grand mean and mode for the entire sample.

Ordinary Least Squares Regression: Occupational attainment is measured as a continuous socioeconomic index scale. For this outcome, I use OLS regression and discuss the regression results directly.

2. Survey Design: The German Mikrozensus is a stratified cluster sample. Unfortunately, I was unable to obtain permission to access the regional strata variable to fully adjust for the sampling design (see discussion by Schimpl-Neimanns and Müller 2001). Instead, I use the provided weights along with the stratification variables that *were* present (Bundesland and Housing size), plus the primary sampling unit (Auswahlbezirknummer), resulting in conservative measures of statistical significance.

3. Sample Selection and Sensitivity Testing: As argued above, there are substantive reasons to expect selection bias in analyses that excludes the unemployed. Moreover, there is considerable variation in the education, national origins, and family structure of the employed versus the unemployed in my sample (see Appendix A). This suggests that the employed are

not a random sample of the entire population. Whereas this might not be a problem where unemployment is low, the fact that as much as 26% of some of the origin groups under consideration are unemployed means that estimates of occupational status that exclude the unemployed may be biased and not representative of the population as a whole. Fortunately, selection mechanisms into the labor force and employment appear to be similar across the ethnic origins that are the focus of this paper (for instance, the unemployed are less educated, less likely to be intermarried with Germans, and more likely to be noncitizens across all national origins)[13]. Initial tests for selection bias in analyses that exclude the unemployed suggested that the immigrant origin, citizenship, and German partner coefficients are not affected.

Multivariate Results

I now turn to multivariate models of labor force participation for women, and for employment and occupational status for men and women. Probit regressions are used to predict labor force participation and employment. To ease interpretation, predicted probabilities computed at different values for the key independent variables (immigrant origins, citizenship, and having a German spouse or partner), with all other independent variables held at their grand mean or mode, are also displayed and discussed[14]. OLS

[13] To explore the possibility of selection bias in my estimates of the effect of ethnic origins and boundary crossing on occupational status, I modeled employment and occupational status simultaneously for men and women, allowing the error terms of the equations to be correlated and including this correlation in my estimates of occupational attainment. The results of this model fitting, including sensitivity testing and a discussion of the results, can be obtained from the author by request. While I do find evidence of sample selection, correcting for selection bias does not change the substantive results of my paper. It is well documented that sample selection models are more sensitive to misspecification, and draw on a larger number of assumptions, than do standard regression models. Due to the inherent uncertainty of sample selection models, and the fact that the ethnic differences that are the focus of this paper do not change substantively after correcting for selection, I do include these results here and instead discuss uncorrected models in this paper.

[14] German origin is the modal origin; however, it does not make sense to compare non-citizen "Germans" and citizen "Germans." Therefore, for the purpose of boundary crossing, I use Turkish immigrants as the origin group when computing predicted probabilities. The difference associated with changing from citizen to noncitizen, and from being single to reporting a German spouse or partner, is the same regardless of which origin group is used unless otherwise noted in text.

regressions are used to model occupational status scores and the coefficients displayed can be interpreted as discrete changes in the value of the outcome (occupational status).

Women

Table 3. Women's Labor Market Outcomes

Labor Force Participation								
	Gross		Integ		Demo		HC	
Turkish	-0.458	**	-0.307	**	-0.157	*	-0.00597	
	-0.0532		-0.0651		-0.0725		-0.0753	
Ex Yugo	-0.0467		0.172		-0.107		-0.0449	
	-0.103		-0.117		-0.128		-0.131	
Other GW	-0.0923		0.152		-0.0705		-0.0235	
	-0.0763		-0.0979		-0.107		-0.108	
Ethnic German	-0.0557		0.0224		-0.255	*	-0.212	+
	-0.108		-0.111		-0.119		-0.121	
Other EU or US	0.0145		0.188		-0.206		-0.229	+
	-0.106		-0.116		-0.137		-0.138	
Third Country	-0.0222		0.0725		-0.123		-0.0638	
	-0.107		-0.111		-0.13		-0.135	
Mig German	0.306	**	0.37	**	0.0742		0.0848	
	-0.114		-0.118		-0.132		-0.133	
Foreign National			-0.268	**	-0.0972		-0.0404	
			-0.0757		-0.0824		-0.0845	
German partner			-0.205	**	0.0849		0.045	
			-0.0751		-0.0829		-0.0841	
Household Characteristics	no		no		yes		yes	
Geographic Controls	no		no		yes		yes	
Human Capital	no		no		no		yes	

**=significant at .01 *=significant at .05 +=significant at .1

Table 3 con'd Employment

	Gross		Integ		Demo		HC	
Turkish	-0.841	**	-0.773	**	-0.655	**	-0.451	**
	-0.0653		-0.0779		-0.0811		-0.0852	
Ex Yugo	-0.459	**	-0.422	**	-0.395	**	-0.394	**
	-0.117		-0.131		-0.136		-0.136	
Other GW	-0.307	**	-0.231	+	-0.164		-0.125	
	-0.0984		-0.12		-0.12		-0.125	
Ethnic German	-0.0396		-0.119		-0.0738		-0.0173	
	-0.147		-0.151		-0.154		-0.159	
Other EU or US	-0.193		-0.252		-0.109		-0.182	
	-0.147		-0.156		-0.156		-0.154	
Third Country	-0.137		-0.172		-0.0616		-0.0266	
	-0.146		-0.148		-0.155		-0.159	
Mig German	0.0311		-0.0422		0.0557		0.0406	
	-0.137		-0.14		-0.144		-0.153	
Foreign National			-0.172	+	-0.217	*	-0.0537	
			-0.0936		-0.0951		-0.0975	
German partner			0.311	**	0.092		0.00557	
			-0.113		-0.117		-0.119	
Household Characteristics	no		no		yes		yes	
Geographic Controls	no		no		yes		yes	
Human Capital	no		no		no		yes	

**=significant at .01 *=significant at .05 +=significant at .1

Table 3 con'd Occupational Status								
	Gross		Integ		Demo		HC	
Turkish	-7.186	**	-4.296	**	-4.954	**	-1.024	
	-0.893		-1.011		-0.968		-0.769	
Ex Yugo	-1.492		2.318	+	-0.354		0.299	
	-1.189		-1.295		-1.243		-1.035	
Other GW	-1.659	+	3.054	*	0.701		1.566	
	-0.989		-1.221		-1.189		-0.959	
Ethnic German	3.278	*	3.097	*	1.214		2.148	*
	-1.42		-1.454		-1.462		-1.008	
Other EU or US	3.186	*	4.882	**	2.723	+	-1.561	
	-1.507		-1.614		-1.557		-1.282	
Third Country	0.845		1.45		-0.921		-1.692	
	-1.429		-1.438		-1.396		-1.096	
Mig German	1.818		1.67		0.589		0.178	
	-1.395		-1.408		-1.371		-1.013	
Foreign National			-6.775	**	-5.983	**	-1.966	*
			-1.019		-0.988		-0.853	
German partner			0.541		1.726	+	0.122	
			-1.02		-0.994		-0.813	
Household Characteristics	No		no		yes		yes	
Geographic Controls	no		no		yes		yes	

**=significant at .01 *=significant at .05 +=significant at .1

In table 3, I show models for female labor force participation, employment, and occupational status. To illustrate the relationships between the independent variables and each outcome, I begin with just the unadjusted origin differences, and then introduce variables for foreign nationality and intermarriage, followed by controls for geography, household characteristics, and finally human capital (education and experience).

As discussed in the descriptive statistics, inequality between second generation and native German women is fairly compressed – even the unadjusted differences between each origin group are not very large. When we apply each set of controls, we also observe interesting relationships between the independent variables and each outcome. Notably, we observe that although women with German citizenship and a German spouse have higher rates of labor force participation and employment and higher occupational status, these effects are entirely

accounted for by the fact that better educated women are more likely to have a German partner or be a German citizen. The only net advantage of these integration indicators is the slightly higher occupational status enjoyed by German citizens. Because women in Germany are overrepresented, and receive higher wages in public employment (Melly 2005), this may be the result of better access to public employment jobs among second generation women with citizenship[15]. We also see that the majority of the disadvantage faced by second generation origin women can be explained by their household characteristics and human capital[16].

There are two instances where this is not the case, however. As expected from the above discussion of context of reception, the very negatively received Turkish origin women face an ethnic penalty across all outcomes. Throughout the different models, even after many controls, they are the only group with lower labor force participation rates, the only group with substantially lower occupational status, and they also experience the highest unemployment of any other second generation origin group[17]. The less expected finding is the continued high unemployment of former Yugoslavian women as well.

Second, the inequality observed in employment is the largest – and the only outcome where second generation disadvantage is not completely accounted for by compositional effects. Turkish and former Yugoslavian women face significantly higher unemployment, even net of all of the controls. Turning to the predicted probabilities in table 4, we see that Turkish and former Yugoslavian women have unemployment probabilities that are 10 points

[15] Crosstabulations show that second generation women are more highly represented in public employment than second generation men, supporting this conclusion.

[16] Interactions between immigrant origins and education, citizenship, and intermarriage were tested and found insignificant at the .05 level.

[17] Turkish women differ from other second generation women at the .05 level across all outcomes in the gross baseline models.

higher than native Germans. Although the differences are not significant, essentially every group has lower employment probabilities than native Germans, even net of all controls. This finding supports the hypothesis of divergent outcomes by context of reception – and across labor market dimensions.

Table 4. Summary Table for Women: Predicted Probabilities of Labor Force Status and Employment, Predicted Values of Occupational Status

	In Labor Force	Among ILF: Employed	Among Employed: ISEI
German	.963	.871	37.517
Turkish	.963	.752	36.493
Ex Yugo	.959	.769	37.816
Other GW	.961	.843	39.083
Ethnic German	.942	.867	39.665
Other EU or US	.940	.828	35.956
Third Country	.958	.865	35.825
Mig German	.969	.879	37.695

*predicted at means and modes of all other variables

Men

Table 5 shows the results of the models for unemployment and occupational status among men. The results are presented as unadjusted origin differences, adding citizenship and intermarriage, household characteristics, and human capital. The effect of educational attainment on employment and occupational attainment was found to differ significantly by immigrant origin, therefore the results in tables 5 include interactions[18]. When computing predicted probabilities of employment and expected values of occupational status in table 6, I stratify the groups by educational attainment to reflect these interactive effects.

[18] Interactions between immigrant origins and citizenship and intermarriage were tested and found insignificant at the .05 level. In order to avoid empty cells, I collapse EU/US and migratory German men into one category in the interactive models.

Table 5. Men's Occupational Outcomes

	Employment							
	Gross		Integ		Demo		HC	
Turkish	-0.734	**	-0.641	**	-0.582	**	-0.409	**
	-0.059		-0.0766		-0.0819		-0.0875	
Ex Yugo	-0.648	**	-0.585	**	-0.536	**	-0.516	**
	-0.116		-0.125		-0.131		-0.133	
Other GW	-0.262	**	-0.236	*	-0.121		-0.00609	
	-0.0898		-0.113		-0.116		-0.12	
Ethnic German	-0.393	**	-0.52	**	-0.367	**	-0.381	*
	-0.13		-0.132		-0.137		-0.148	
Other EU or US	0.12		0.0179		0.151		0.0912	
	-0.139		-0.15		-0.155		-0.156	
Third Country	-0.422	**	-0.444	**	-0.295	*	-0.364	**
	-0.117		-0.117		-0.125		-0.131	
Mig German	-0.374	**	-0.449	**	-0.193	*	-0.216	*
	-0.0909		-0.0923		-0.0976		-0.105	
Foreign National			-0.203	*	-0.229	**	-0.129	
			-0.0835		-0.0868		-0.0902	
German partner			0.711	**	0.387	**	0.349	**
			-0.11		-0.116		-0.123	
Household Characteristics	no		no		yes		yes	
Geographic Controls	no		no		yes		yes	
Human Capital	no		no		no		yes	

**=significant at .01 *=significant at .05 +=significant at .1

Table 5 cont'd Socioeconomic Status								
	Gross		Integ		Demo		HC	
Turkish	-7.906	**	-6.102	**	-7.142	**	-1.23	+
	-0.591		-0.841		-0.841		-0.693	
Ex Yugo	-4.718	**	-2.914	*	-4.858	**	-1.65	+
	-1.035		-1.215		-1.22		-0.925	
Other GW	-4.755	**	-2.9	**	-3.752	**	0.582	
	-0.759		-1.032		-1.033		-0.823	
Ethnic German	-0.388		-0.933		-1.149		-1.614	+
	-1.344		-1.337		-1.313		-0.922	
Other EU or US	2.536	*	2.837	*	2.068		0.191	
	-1.256		-1.362		-1.321		-0.951	
Third Country	4.677	**	5.081	**	3.561	*	1.63	+
	-1.439		-1.418		-1.409		-0.964	
Mig German	0.0307		-0.334		0.992		0.0228	
	-1.142		-1.157		-1.122		-0.687	
Foreign National			-3.254	**	-3.309	**	-0.781	
			-0.851		-0.837		-0.658	
German partner			2.09	*	1.833	*	0.333	
			-0.868		-0.848		-0.692	
Household Characteristics	no		no		yes		Yes	
Geographic Controls	no		no		yes		Yes	
Human Capital	no		no		no		Yes	

**=significant at .01 *=significant at .05 +=significant at .1

Table 5 Con'd. Men's Labor Market Outcomes: Interactions

	Employment			Occupational Status		
	Coef.	Std. Err.	P>|t|	Coef.	Std. Err.	P>|t|
German Omitted						
Turkish	-.130	.124	.293	2.537	1.176	.031
Yugoslavian	-.499	.272	.066	3.501	3.252	.282
Other GW	.277	.197	.159	2.005	1.412	.155
Ethnic Germans	.106	.370	.775	4.845	3.373	.151
Non EU	.046	.341	.892	-.410	3.832	.915
Mig Germ & EU/US	.156	.217	.471	-2.922	1.139	.010
Foreign National	-.162	.086	.060	-1.075	.645	.096
German Mate	.401	.118	.001	.410	.681	.547
HS + Voc	.614	.041	.000	2.990	.313	.000
Mittlere Reife	.925	.043	.000	9.442	.326	.000
Abitur	1.109	.051	.000	16.752	.361	.000
Tertiary	1.483	.055	.000	31.842	.359	.000
Experience	.032	.007	.000	-.137	.042	.001
Experience Squared	-.001	.000	.000	.001	.002	.407
Married	.608	.038	.000	1.249	.205	.000
Partner	.310	.036	.000	.819	.215	.000
Children	-.054	.019	.004	-.264	.093	.005
At Home	-.071	.037	.054	-.723	.263	.006
Interactions (HS only omitted)						
Turk*tert	-.830	.260	.001	-6.485	2.958	.028
Turk*HS+voc	-.189	.151	.209	-3.559	1.274	.005
Turk*mreife	-.337	.167	.043	-3.521	1.464	.016
Turk*Abi	-.779	.219	.000	-9.987	2.177	.000
Yugo*tert	.351	.538	.515	-7.126	4.087	.081
Yugo*HS+voc	.254	.394	.519	-4.290	3.442	.213
Yugo*mreife	-.336	.309	.277	-6.020	3.519	.087
Yugo*Abi	.235	.438	.592	-4.635	4.203	.270
OtherGW*tert	-.626	.426	.141	-1.165	2.786	.676
OtherGW*HS+voc	-.238	.243	.326	.231	1.635	.888
OtherGW*mreife	-.462	.263	.079	-1.095	1.753	.532
OtherGW*Abi	-.377	.332	.257	-5.655	2.358	.016
NonEU*tert	-.570	.464	.219	4.038	4.076	.322
NonEU*HS+voc	-.090	.462	.846	3.157	4.516	.484
NonEU*mreife	-.705	.406	.083	.927	4.377	.832
NonEU*Abi	-.395	.464	.395	.509	4.350	.907
EthGer*tert	-.575	.478	.229	-5.947	3.879	.125
EthGer*HS+voc	-.298	.443	.500	-5.856	3.665	.110
EthGer*mreife	-.779	.473	.099	-9.276	3.724	.013
EthGer*Abi	-.678	.520	.192	-6.410	4.155	.123
Miggerm/EU*tert	-.180	.265	.498	3.252	1.377	.018
Miggerm/EU*HS+voc	-.404	.272	.138	3.747	1.617	.020
Miggerm/EU*mreife	-.130	.323	.686	2.278	1.903	.231

Miggerm/EU*Abi	-.582	.276	.035	3.526	1.595	.027
Geography	YES			YES		
Constant	0.846	0.084	0	31.069	.569	.000

**=significant at .01 *=significant at .05 +=significant at .1

Table 5 reveals several key findings: first, second generation disadvantage is more pervasive across immigrant origins among men than among women. Whereas only guest worker origin women had higher unemployment than native German women after adjusting for education and other controls, among men, both the positively received ethnic Germans, as well as all guest worker groups, display higher unemployment than native Germans. I again rely on institutional explanations to understand this finding. The German labor market follows the male breadwinner model (Esping-Anderson 1999); in other words, men are more likely to be in full-time, higher wage, and unionized employment relationships than women. It is precisely these jobs that are the most closed, involving the highest risk in hiring, as they offer workers considerable protection from nonvoluntary termination (Diprete and McManus 1996). Thus, the fact that second generation men are more systematically disadvantaged in terms of employment than second generation women is consistent with the more rigid and protected employment relationships of men.

Second, also in contrast to women, the effect of immigrant origins on employment and occupational status differs by education for men. Across all educational categories, Turkish origin men are again the most disadvantaged of all the second generation groups. Among ethnic Germans, second generation men with middle to high level degrees, the Mittlere Reife and Abitur, have lower employment relative to Germans than those with very low and very high (tertiary) education. Given the strong school to work linkages particularly in the mid-level trades, it is somewhat surprising that ethnic Germans would experience the highest relative unemployment within these educational categories.

Table 6. Predicted Probability of Employment, Expected Occupational Scores, Men

	HS or LESS	HS + VOC	MR	ABI	TERT
German	0.636	0.832	0.898	0.927	0.966
Eth Germ	0.675	0.779	0.725	0.812	0.913
Turk	0.522	0.685	0.74	0.65	0.761
Former-Yugo	0.45	0.711	0.609	0.849	0.936
Other GW	0.678	0.799	0.823	0.884	0.96
EU/US	0.592	0.775	0.674	0.828	0.874
Mig German	0.693	0.826	0.847	0.931	0.92
	Predicted ISEI Scores				
	HS	HSVOC	MREIFE	ABI	TERT
German	33.63	36.62	43.072	50.381	65.471
Eth Germ	38.475	35.608	38.641	48.816	64.369
Turk	36.167	35.597	42.088	42.931	61.523
Former-Yugo	37.131	35.831	40.553	49.247	61.846
Other GW	35.635	38.856	43.983	46.732	66.311
EU/US	30.708	37.445	42.428	50.985	65.801
Mig German	33.22	39.367	43.589	50.48	69.099

Third, like women, inequality in unemployment among men is more consistent than inequality observed in occupational status. Only guest worker origin men have lower occupational status than German men, even before controlling for compositional differences. However, as noted above, all groups, even the most positively received, have much higher probabilities of unemployment, usually in the magnitude of 5 percentage points higher or more.

Finally, second generation men who married a German spouse or have German citizenship have higher employment and occupational status than foreign nationals and single men, however, this advantage is accounted for by the higher levels of human capital among second generation men with German partners and German citizenship.

Focusing on the predicted values in table 6, we see that the effect of ethnic origins on employment is large and consistent across educational levels. Most notable is the very low employment among Turks, a full 10 percentage points or more lower than native Germans

throughout every single educational category, even with all other variables held constant. Former Yugoslavians reports similarly low employment probabilities. Although other guest worker groups and ethnic Germans have higher employment than the former Yugoslavians and Turkish origin second generation, they still lag behind native Germans. However their disadvantage appears concentrated in the middle education range.

As hypothesized, the ethnic inequality in occupational status is *much* more compressed, and limited to former guest worker groups in the higher educational ranges. Among those with the lowest two educational categories (Hauptschule with and without vocational training), no second generation group has significantly lower occupational status than native Germans. Among those with higher attainment, only Turkish origin men report significantly lower occupational status than native Germans.

In summary, these analyses of labor market participation, employment, and occupational status resulted in four central findings. First, we see the importance of the context of reception. Inequality in unadjusted unemployment and occupational status generally follows the ordering expected from the identified hierarchy in context of reception: ethnic Germans perform nearly on par with native Germans with similar characteristics, and Turkish origin men and women consistently perform much worse than all other groups. Less expected is the consistently poor performance of former Yugoslavian origin workers, and the high levels of adjusted performance among the children of other guest worker origins.

Second, we see that the impact of boundary crossing into German citizenship or into partnership with a native German has little net effect on labor market outcomes. Although German citizenship and partnership with native Germans is positively associated with employment and occupational status, this positive association is – with the one exception of

women's occupational status – completely accounted for by human capital and demographic characteristics.

Third, for both men and women, unadjusted and unadjusted levels of inequality in employment are substantively and statistically more significant than inequality in occupational status. When we control for household characteristics and human capital differences, we see only nominal differences in occupational status for both women and men. Thus, these analyses reveal very similar *adjusted* occupational status outcomes with native Germans among every second generation origin group. In contrast, there remains a strong ethnic penalty for employment, with Turkish and former Yugoslavian women and men, as well as ethnic German men, suffering significantly higher unemployment, *even after controls*.

Finally, we also see the importance of gender. Inequality between second generation women and native German women is more compressed than inequality between men of different origins; moreover, the disadvantages faced by second generation origin women are more readily accounted for by compositional characteristics. In contrast to men, German citizenship carries real benefits to women in the form of higher occupational status, even after controlling for differences in household composition and human capital.

VI. Conclusion

The second generation in Germany is now coming of age, and the children of guest worker, ethnic German, and refugee migrants are entering the labor market in large numbers for the first time. In the German media and academic press, there is considerable concern that the children of immigrants will face similar disadvantages in the labor market as their foreign born parents, resulting perhaps in the development of an inherited, "ethnic underclass" in Germany.

At the moment, these fears have been difficult to objectively evaluate, due to the young age of the demographic group concerned, the lack of appropriate data allowing the identification of the ethnic Germans who comprise a large proportion of the second generation today, and the subsequent inability to assess which characteristics – whether a more positive context of reception, the acquisition of German citizenship, or the passing and enforcement of anti-discrimination legislation – would help or hinder second generation integration. Using the latest data to overcome some of these more basic empirical limitations, this paper provides a first look at the labor market outcomes of the second generation and how they covary with critical concepts in the broader integration literature - gender, context of reception, and citizenship and intermarriage. In addition, this paper applies an institutional framework to understand why inequality across one dimension, employment, is so much more pronounced than inequality across another dimension, occupational status. This finding has practical implications for areas of improvement in labor market regulation in the future.

First, this paper shows that, as observed in the United States, the immigrant context of reception impacts the second generation in Germany. Ethnic German origin men and women generally perform better than the children of West European origin guest workers, who in turn perform better than Turkish origin, and frequently former Yugoslavian origin men and women. Though this advantage is primarily explained by previous educational attainment and other background characteristics, even after controls, ethnic German origin women perform better than the children of other immigrant groups. This is not the case for ethnic German second generation men, however, and especially in terms of employment this group performs worse still than the child of West European guest workers. Moreover, as boundary crossing indicators, citizenship and partnership with a German spouse or partner only aligns with labor market outcomes before the application of background controls; once adjusted for the fact that higher educated second generation members intermarry and naturalize, the effect of these

boundary crossing is effectively washed out for all outcomes with the exception of women's occupational status. Context of reception and boundary crossing alone cannot explain variation in second generation labor market outcomes.

In contrast to the United States, the findings in this paper also suggest that the second generation in Germany faces serious barriers to employment – regardless of the reception context. Similar to previous work, I find that the children of guest workers experience much higher rates of unemployment. More troubling, perhaps, is the less anticipated finding that the children of ethnic Germans also face higher unemployment, even after controlling for human capital and demographic differences. Though the context of reception does matter in the German case, in that the children of ethnic Germans have superior performance to Turkish and other negatively received guest worker immigrants, they still face significant barriers to work – ethnic German men, across nearly all educational categories, continue to have probabilities of unemployment as high as ten percentage points greater than native German men.

In this paper, I suggest that the institutional structure of the German labor market creates the high unemployment inequality, coupled with lower inequality in occupational status, that I observe among all the origin groups under consideration here. My findings regarding gender differences also align with this explanation. The full-time, heavily unionized and protected jobs dominated by male employees are also precisely the kind of jobs where turnover is low and access particularly difficult. In the more flexible part-time work where women are overrepresented, barriers to employment are likely to be lower. Women are also overrepresented in public sector employment – a sector where job recruitment and referral procedures are much more transparent and regulated. This may explain the positive net effect of citizenship on female occupational status.

Within even a single destination country, there is considerable variation in the degree of ethnic segmentation and institutional openness across different dimensions of social life. The extent to which any stage of the stratification process is guided by formal or informal networks, the amount of government oversight and control, and the degree to which earlier selection processes "pre-sort" immigrants and their children will shape our measures of their relative success or failure, *across that particular dimension.* By applying the institutional perspective frequently utilized by comparative scholars, this paper attempts to expand on the dichotomy of success/failed integration most common in assimilation debates and instead consider why inequality may be endurable across some dimensions but less so across others.

The result is a more nuanced understanding of second generation inequality. Immigrant origins matter for employment opportunities, and the lack of a parallel ethnic economy in Germany means that the second generation faces higher unemployment, in terms of both outcomes *and* opportunity net of compositional differences. This is a troublesome finding; in particular as even the most positively received ethnic German men still face barriers to work. This suggests the need for further regulation.

When we enter a more regulated, monitored institutional structure – job placement and promotion – we see more optimistic findings. With occupational status as the dependent variable, the children of immigrants experience compressed outcome inequality, and even equal opportunity in models where background characteristics are controlled. These findings suggest that the highly unionized and regulated German employer-employee relationships provide a better arena for integration.

Ethnic inequality in the German labor market is a case of institutional discrimination operating on the *outside* of employment institutions, with access to employment presenting the hurdle to the more regulated and equal remuneration processes among the employed

within. This presents a challenge to German policy makers: regulation and employee protections are not enough. More proactive measures to ensure equality in employment, such as affirmative action, are clearly necessary to ensure the successful integration of Germany's growing second generation population.

APPENDIX A: Descriptive Information

Table A.1 Full Origin Information for Collapsed Categories

Category	Countries Included
Turkey	Turkey
Former Yugoslavia	Bosnia, Croatia, Herzegovina, Serbia, Montenegro
Other Guest Worker	Portugal, Spain, Italy, Greece
EU/US	Belgium, Denmark, Finland, France, Ireland, Luxembourg, Norway, Netherlands, Sweden, UK
Ethnic Germans	Both parents FB, Germans w/out naturalization or who naturalized in <3 years, and from: Bulgaria, Romania, Former Soviet Union, Estonia, Slovakia, Slovenia, Czech Republic, Hungary, Latvia, Lithuania, Russian Federation, Kazakhstan, Remaining Eastern Europe
Migratory German	Self or one foreign born parent, non-naturalized German, does not fit Ethnic Germans definition
Third Country	Residual Category: All other nationalities, including stateless

Table A2.A Men: Descriptive Statistics by Origin and Employment Status

Men		German Mate	Non-citizen	HS or Less	HS + Voc	Mittlere Reife	Abitur	Tertiary
German	Unemp			.239	.336	.239	.113	.073
	Emp			.046	.273	.298	.157	.227
Turkish	U	.018	.734	.407	.287	.166	.096	.044
	E	.100	.617	.236	.359	.248	.091	.066
Former-Yugoslavian	U	.054	.747	.216	.285	.382	.083	.034
	E	.183	.671	.064	.370	.310	.134	.122
Other Guest Worker	U	.086	.845	.354	.290	.202	.092	.063
	E	.303	.764	.185	.334	.243	.154	.084
Other EU/US	U	.055	.285	.277	.399	.178	.146	.000
	E	.390	.335	.036	.216	.253	.210	.286
3rd Country	U	.101	.448	.168	.136	.385	.166	.146
	E	.194	.245	.078	.165	.210	.241	.306
Ethnic Germans	U	.118		.191	.238	.244	.241	.086
	E	.260		.060	.279	.216	.171	.275
Migratory German	U	.032		.241	.219	.245	.101	.194
	E	.171		.105	.267	.203	.154	.270

		Kreis Unemp	Work Exp	Married	Partner	Kids	At home	N
German	Unemp	13.34	13.22	.238	.132	.446	.167	2,879
	Emp	11.38	11.45	.466	.159	.682	.083	30,188
Turkish	U	15.06	11.88	.398	.013	.735	.347	178
	E	13.03	11.82	.694	.051	1.171	.137	551
Former-Yugoslavian	U	13.04	11.33	.217	.059	.585	.338	48
	E	11.30	10.34	.502	.113	.663	.194	196
Other Guest Worker	U	11.97	13.03	.207	.098	.372	.409	55
	E	11.57	12.23	.433	.133	.614	.215	401
Other EU/US	U	10.69	10.60	.096	.000	.261	.388	16
	E	11.17	9.81	.362	.164	.475	.126	207
3rd Country	U	13.28	12.15	.253	.049	.265	.312	32
	E	12.54	8.87	.349	.066	.490	.176	173
Ethnic Germans	U	12.28	11.93	.141	.122	.411	.438	29
	E	11.01	10.18	.330	.073	.523	.308	166
Migratory German	U	11.89	11.56	.033	.034	.081	.763	60
	E	11.25	10.97	.163	.058	.295	.642	278

Table A2.B Women: Descriptive Statistics by Origin and Employment Status

		German Mate	Non-citizen	HS or Less	HS + Voc	Mittlere Reife	Abitur	Tertiary
German	Unemp			.203	.236	.367	.107	.087
	Emp			.053	.168	.405	.182	.191
	OLF			.125	.202	.405	.162	.106
Turkish	U	.030	.539	.513	.168	.219	.058	.042
	E	.063	.435	.297	.234	.279	.092	.098
	O	.041	.602	.498	.226	.204	.048	.023
Former-Yugoslavian	U	.237	.628	.248	.197	.234	.231	.089
	E	.228	.578	.092	.172	.372	.234	.130
	O	.215	.717	.271	.224	.398	.088	.018
Other Guest Worker	U	.141	.748	.300	.355	.218	.064	.062
	E	.201	.716	.134	.239	.281	.222	.123
	O	.230	.781	.226	.285	.300	.149	.040
Other EU/US	U	.234	.311	.161	.242	.494	.104	.000
	E	.438	.291	.034	.119	.284	.172	.392
	O	.576	.225	.097	.025	.273	.322	.284
3rd Country	U	.071	.233	.446	.084	.141	.149	.181
	E	.266	.120	.080	.088	.309	.287	.237
	O	.276	.182	.311	.155	.181	.231	.122
Ethnic Germans	U	.084		.222	.320	.218	.173	.067
	E	.345		.045	.178	.338	.229	.210
	O	.479		.174	.138	.371	.272	.044
Migratory German	U	.152		.079	.190	.391	.264	.076
	E	.295		.083	.127	.346	.192	.252
	O	.364		.156	.200	.438	.072	.134

Table A2.B Women Descriptive Statistics continued

		Kreis Unemp	Work Exp	Married	Partner	Kids	At home	N
German	Unemp	12.93	13.25	.399	.122	1.074	.043	2,168
	Emp	11.49	12.27	.505	.169	.795	.037	25,391
	OLF	11.28	13.65	.848	.059	1.770	.011	6,812
Turkish	U	14.95	13.56	.634	.016	1.294	.113	128
	E	13.31	12.06	.643	.036	1.144	.144	321
	O	13.64	13.83	.906	.015	2.021	.020	229
Former-Yugoslavian	U	11.65	10.94	.433	.103	.737	.191	30
	E	11.62	10.50	.452	.124	.653	.101	155
	O	11.29	12.96	.747	.024	1.775	.047	48
Other Guest Worker	U	12.90	12.17	.377	.049	.995	.150	40
	E	11.41	11.32	.429	.157	.688	.164	261
	O	12.01	13.39	.848	.019	1.779	.038	81
Other EU/US	U	13.35	12.67	.234	.000	1.133	.114	17
	E	11.48	10.26	.337	.193	.607	.116	138
	O	10.47	12.54	.652	.075	1.382	.022	40
3rd Country	U	14.24	12.65	.222	.084	.578	.298	14
	E	12.87	9.42	.353	.146	.666	.079	134
	O	11.67	11.65	.778	.059	2.101	.090	38
Ethnic Germans	U	11.78	10.16	.238	.084	.625	.379	13
	E	11.18	10.33	.326	.158	.497	.226	136
	O	12.26	11.94	.731	.101	1.801	.054	39
Migratory German	U	11.95	12.30	.277	.000	.797	.642	14
	E	11.28	11.04	.294	.119	.531	.381	173
	O	11.99	13.26	.656	.029	1.407	.237	26

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